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SEE - Q3 2011 Sealed Air Corp Earnings Conference Call

Event Date/Time: Oct. 26. 2011 / 3:00PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Good morning, everyone, and welcome to the Sealed Air conference call discussing the Company's third quarter 2011 results. This call is being recorded. Leading the call today, we have William V. Hickey, President and Chief Executive Officer, and Tod S. Christie, Treasurer and Interim Chief Financial Officer.

After Management's prepared comments, they will be taking questions. (Operator Instructions) Additionally, they will be accepting text questions, which can be submitted on the webcast page. Now at this time, I would like to turn the call over to Amanda Butler, Director of Investor Relations.

Amanda Butler - *Sealed Air Corp - IR*

Good morning, everyone. Before we begin our call today, I would like to remind you that statements made during this call stating Management's outlook or prediction for the future are forward-looking statements. These statements are made solely on information that is now available to us.

We encourage you to review the information in the section entitled Forward-Looking Statements in our earnings release, which applies also to this call. Additionally, our future performance may be different due to a number of factors, and many of these factors are listed in our most recent annual report on Form 10-K, which you can find on our website at SealedAir.com.

We also discuss financial measures that do not conform to US GAAP, and you may find important information on our use of these measures and a reconciliation to US GAAP in the financial tables that we have included in our earnings release. Now I will turn the call over to Bill Hickey, our CEO.

William Hickey - *Sealed Air Corp - President, CEO*

Good morning to everyone. Today's call marks the first discussion with investors following the close of the Diversey acquisition on Oct. 3. As I commented earlier this month, the addition of Diversey marks the beginning of an exciting new era of opportunity for Sealed Air, our employees, and our customers.

And today I can say with pride that we are the new leader in food safety and security, facility hygiene, and product protection. Protecting what you eat and drink, protecting the places you go, and protecting the valuable products you use every day.

As we noted in our press release earlier today, we have made solid strides in our integration planning process, have expanded the adjustable areas for cost synergies, and are in active discussions with customers and partners in expanding sales and revenue opportunities.

We have a lot to get through on the call today, and I thought I would like to ensure that we have ample time for Q&A. I will spend the next few minutes highlighting our legacy Sealed Air third quarter 2011 business performance, and then Tod will detail key financial items.

We will then review Diversey Holdings' third quarter results, which are currently preliminary and unaudited. We will finish with our outlook for the balance of the year, and then take your questions.

This morning we reported third quarter legacy Sealed Air 2011 earnings per share results of $0.41 per share, which compares to $0.43 in 2010. Excluding the $0.07 related to acquisition expenses, our adjusted earnings per share increased 12% over 2010's third quarter to $0.48.

Additionally, we reported a 2% increase in adjusted EBITDA to $196 million and generated $127 million of free cash flow in the quarter. These achievements reflect solid fundamentals in our core business in a weakening economy, aided by favorable foreign exchange, but driven by higher price and volume results, tight control of expenses, and approximately $7 million in productivity benefits.

Together, these factors help to offset nearly $40 million in higher petrochemical, raw material and freight costs in the third quarter. I would like to point out that resin-based raw material costs were trending favorably in the third quarter on a sequential basis, but only at a very modest rate. In fact, our average price per pound improved only 2% sequentially in the third quarter, with the most notable price benefits coming in the month of September.

We expect to recognize additional benefits in the fourth quarter, as we anticipate continued sequential improvements in resin costs. Nonetheless, our full 2011 average price per pound remains in the low-teens-percent higher than 2010 prices

In response to the higher input costs, we have been focusing on raising our selling prices to recover these higher costs. It has been particularly difficult in this slowing economy to recover higher input costs when demand has been tepid at best.

We have had to step back from some volume to realize our pricing. Most of the stepping back was with price-focused buyers that do not always agree with our value proposition. But I am confident we can get these customers back anytime with an attractive price offer. In managing our business, we have been very sensitive to strategically balancing price actions and sales volumes across our portfolio.

Overall, the fundamentals of the business remain very solid in the quarter, with 10% reported top line growth, or 4% increase on a constant dollar basis, which includes the impact of foreign exchange. In fact, we achieved over a 3% constant dollar sales growth in all of our geographical regions around the world.

Developing regions grew over twice that rate, which is also higher than what we reported in the second quarter. We achieved a 3% improvement in price mix in the quarter, which demonstrated successful pricing campaigns across our segments.

This benefit, combined with ongoing strong custom reception of our growth programs, developing region expansions, and continued equipment and automation demand, continue to offset the slowing pace of economic growth seen in our core end markets during the third quarter. As a result, we realized a net 1% volume growth rate in this period.

In the interest of time I will briefly discuss the top line results for our 3 key businesses. In Food Packaging, price mix increased 4%, reflecting the benefits of prior pricing actions and contract adjustments.

Reported volume growth was flat. However we achieved 3% to 4% volume growth in Europe, Asia, Australia, and New Zealand due to the expansion of our growth programs, an increase in animal and dairy production in those markets, equipment sales in Europe and Australia, and continued acceleration of our presence in developing regions around the world, most notably in central in the string Europe and into the Middle East. Latin America remained flat year-over-year, volume performance as Brazil's meat processing industry is only slowly starting to recover from higher domestic retail prices and an appreciating currency, which has limited exports. Distractor offset the solid volume growth we did achieve in the northern countries, such as Columbia and Venezuela. Family, a 2% volume decline in North America reflected a small customer loss in Canada, which we noted in the second quarter. Relatively flat animal production rates in the region, and the anniversary of new contracts last year were created a more challenging year-over-year comparison. Net net, we believe that we substantially held volumes in the consumer challenge United States and maintain or increase our market share. In food solutions, price mix increased 4%, similar to what we saw in food packaging. However, volumes declined 1% solely on US case ready volumes, which continue to be impacted by last year's format switch by a major retailer. Which we have previously discussed and are in the process of backfilling. Otherwise, all other regions achieved good volume growth in the quarter. We achieved a 6% volume increase in a still you and New Zealand with strength in all product categories, and a 1% volume increase in Europe, largely on growth of our case ready formats BDF, Darfresh, Mirabella, and in Vertical Pouch Packaging.

In Protective Packing, price mix increased 3%, reflecting the benefits our prior pricing actions, which are more pronounced in this quarter. Volumes also increased 3%, led by a 3% increase in North America due to strength in e-commerce and fulfillment markets, and a large retail promotion in September.

Asia volumes increased 13%, as export markets and domestic manufacturers continued to grow, although at a slower pace in the quarter. European volumes were steady on a year-over-year basis during the quarter, primarily due to continuing economic uncertainty in that part of the world.

Across all regions, we've seen solid growth in our new products, such as NewAir IB Express, and our core product families, including inflatables, Instapak foam-in-place, air cellular products and Bubble Wrap brand cushioning and material.

Lastly, I'd like to jump to our consolidated developing region sales, which represented 17% of total revenue in the quarter. Net sales increased 15%, or 7% on a constant dollar basis. We achieved growth in several areas, led by Latin America, where, if we exclude Brazil's results, due to the issues in their meat industry, which I previously noted, Latin America sales increased 12%, or 7% on a constant dollar basis.

The greatest area of strength was in our industrial business, where we achieved a 4% increase in volumes versus the prior-year, primarily from Mexican exports to the United States. Our food business also saw strong growth outside of Brazil, specifically in Mexico and the northern countries, which include Columbia and Venezuela.

Our second-largest area of growth was in China, where sales grew 37%, or 32% on a constant dollar basis. Nearly half of this growth was due to favorable comparisons in our medical business, which we noted in our press release.

The balance of the growth in the quarter reflected ongoing demand for protective packaging and specialty materials products from the exports sector, largely computers, peripherals, and consumer electronics, and from the Chinese domestic industrial sector.

Third, Central and Eastern Europe demonstrated a 16% sales increase, or 6% on a constant dollar basis, which was largely food business associated with the ongoing penetration and automation of food customers in that part of the world. Finally, when looking specifically at Southeast Asia and India combined, sales grew 25%, or 17% on a constant dollar basis.

This high rate of growth was driven by both food and industrial business gains, as we continue to accelerate our presence as part of our growth programs, which should also benefit from building on Diversey's established infrastructure in that region.

So, overall, despite some discrete lower-volume performance in certain areas of the world, we are actively working to backfill, or have determined to be non-strategic from a portfolio perspective. We are pleased to see definite areas of sustained strength, demand for new solutions and real returns on our growth programs in the developing parts of the world.

Taken together, we have created a balanced approach which is serving us well during uncertain economic periods, and is still allowing us to achieve solid free cash flow and earnings growth. To discuss the financial results in more detail, I will pass the balance of the third quarter commentary to Tod.

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

Good morning, everyone. I will provide some additional details on third quarter results and the impact of foreign currency on our reported results. I will also address details of our operating expenses and operating income, as well as key balance sheet, free cash flow and liquidity items.

As you may have noted in our press release, foreign currency was a big factor in our third quarter results. The weaker US dollar contributed to higher sales and expenses for the quarter, as we typically source materials and production in the same regions.

In the third quarter, the euro and other currencies such as the Australian dollar and the Brazilian Real recorded double-digit increases in value against the US dollar. This resulted in a $71 million favorable impact on our sales, and had a proportionate impact on our operating profit.

Operating expenses, excluding costs related to the acquisition and integration of Diversey, were $182 million, and were even with last year on a constant dollar basis. Operating expenses as a percentage of net sales declined by 70 basis points as incremental sales and marketing costs to support our sales growth were offset by lower variable incentive compensation expenses.

Our adjusted operating profit for the quarter, excluding acquisition-related costs was $154 million, or $6 million higher than last year. Excluding the favorable impact from foreign currency translation, operating profit would have been relatively flat compared to last year.

Our interest expense was $4 million less in the quarter compared with last year, which was due to our December 2010 redemption $150 million of our 12% senior notes. We reported an $8 million increase in other income and expense in the quarter, as compared to prior-year.

This increase was due to gains that we recorded on foreign currency forward contracts we entered into for various tax planning and inter-Company loan transactions in preparation for the closing of the Diversey acquisition. We have excluded these gains, which would've equated to $0.02 of higher EPS from our adjusted EPS results.

Now I would like to turn your attention to some key balance sheet free cash flow and liquidity items. Cash and cash equivalents were $800 million at the end of September, up $95 million from June 30. During the quarter, we paid dividends of $21 million.

We anticipate our free cash flow generation will remain solid in the fourth quarter of 2011, as our receivables and inventory balances continue to decline in line with the pattern of past years. Our receivables decreased $14 million to $717 million on a reported basis during the quarter. Excluding the decrease attributable to foreign currency translation, our receivables would have increased $18 million, or 3%, in line with constant dollar revenue growth in the quarter.

Inventories decreased $26 million on a reported basis during the quarter. Excluding the decrease attributable to foreign currency translation, our inventories would have remained flat in the quarter. We expect our inventory balance to decline in the fourth quarter of the year, in line with the pattern of past years.

Inventory days on hand was unchanged at Sept. 30 compared with June 30. Accounts payable increased by $16 million in the quarter primarily due to Diversey acquisition-related expenses.

We generated strong free cash flow of $127 million in the third quarter from a combination of earnings, and the currency translation benefits on our working capital balances, largely offseting the adverse affect of currency translation on our second quarter free cash flow.

For the year to date, free cash flow was $187 million, and we are on track to achieve our guidance of $225 million to $275 million for the full year. And now I will turn the call back to Bill to highlight Diversey's preliminary third quarter results and discuss our fourth quarter expectations.

William Hickey - *Sealed Air Corp - President, CEO*

Earlier today we included a supplement in our third quarter earnings release which highlights some preliminary and unaudited financial results for Diversey for the third quarter. It is clear that Diversey still was an independent Company during the third quarter, and are not part of Sealed Air's results.

However, we understand that our investors are interested in how Diversey's business progressed through the quarter, and specifically, how their European operations might have been affected by the economic climate in that region.

As you saw on a reported basis, Diversey generated $825 million in sales, which declined approximately 1% on a constant dollar basis versus 2010. This reflected 3% lower volumes, [which were partially offset by 2%] favorable price mix.

These results were largely due to weaknesses in Japan following the effect of the natural disasters in that country and in Europe due to weaknesses in one end market and the exit from a non-strategic toll manufacturing business. But overall, their results were tempered by their diversified end markets and geographic mix, as well as from the rising benefits from contractual price amendments and pricing actions implemented in the first half of 2011 to recover rising raw material costs. These costs appear to have peaked in the third quarter.

Specifically in Europe, Diversey recorded a 2% decline in constant dollar sales from 3% lower volumes, which were partially offset by 1% higher price. I am pleased to report that volumes held up in most of Diversey's European end markets.

The food and beverage business realized both volume and price growth, while the institutional and lodging end markets saw nearly a 4% decline in volumes. This volume decline reflected weak economic conditions and reduced spending in the public sector, which represents a large customer base in the institutional end markets in certain countries like Switzerland and Denmark.

We expect continued year-over-year volume and price growth in the fourth quarter for the food and beverage business in Europe, but are cautious about any near-term improvement in institutional and lodging due to ongoing uncertainty in the region's economy.

Additionally, credit agreement EBITDA declined on a year-over-year basis due to the timing of recovery of raw material cost under absorbed overhead relating to reduced volume in the period. Looking ahead to the fourth quarter, pricing benefits are expected to increase as raw materials prices ease, helping to improve margin performance in the fourth quarter.

When we look at the prospects for our new combined Company in the fourth quarter, we believe that we will achieve year-over-year volume growth similar to the rate reported in the third quarter at legacy Sealed Air.

Price mix is expected to continue to improve and offer margin expansion as raw materials costs continued to ease sequentially. This will help further drive adjusted EBITDA growth, and reinforce solid cash flow generation. This improves our exiting ample liquidity and our ability to deleverage rapidly to increase earnings growth.

As I noted in the press release, when we achieve a net debt level below our target of $4.5 billion, we expect to return a portion of free cash flow to shareholders in the form of higher dividends or through share repurchases, adding further value to investors. For the legacy Sealed Air business, on a stand-alone basis, excluding the impact of Diversey, we have revised our full-year 2011 EPS guidance from $1.70 to $1.75 to reflect the slower rate of economic growth anticipated in the fourth quarter.

We are aware that there is interest in the estimated combined Company results for the fourth quarter of 2011, due to the limited pro forma information available at this time. As such, we have provided a few metrics which build upon legacy Sealed Air's core forecast, and incorporates our estimates for the Diversey reportable segment in the fourth quarter.

We estimate that the combination of the 2 companies in the fourth quarter will generate net sales between $1.11 billion to $2.18 billion,(Sic-see press release) with an adjusted EBITDA in the $335 million $345 million range, and maintaining an ongoing asset-light model with capital expenditures in the range of $45 million to $55 million for the quarter.

As we move into the fourth quarter and a new era for Sealed Air, as the leader in protection, we are excited about the ongoing developments identified by our broader organization in our integration planning process, our improved outlook on cost synergies and the daily discussions occurring with customers, which are yielding additional possible revenue synergies and product development concepts.

We have noted that we have over 10 development concepts in hand, and we are working their way through our R&D process, and expect to see a least 2 of them introduced in early 2012. This adds to the GE-awarded Diversey alliance announced a few weeks ago, and the VSS handwashing solution currently in pilot in several healthcare facilities around the country.

We have not provided a revised synergy range at this time, as we are evaluating additional synergy opportunities during our integration planning process. We do want to emphasize, however, our confidence in achieving and exceeding the initial commitment of $50 million cost synergy run rate in 2013. And now Tod will highlight a few items that occurred immediately after the acquisition closing that will impact our upcoming fourth quarter results.

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

In connection with the acquisition of Diversey on Oct. 3, we finalized the syndication of $3.8 billion in debt that includes $2.3 billion in secured term loans and $1.5 billion in new senior unsecured notes, as well is a new $700 million revolving credit facility.

The average cost of our new debt at closing was 5.8%, or 6.2%, if including previously-existing debt. As a result of these transactions, we have approximately $5.2 billion in total debt on our balance sheet, or net-debt-to-adjusted-EBITDA ratio of 4.4 times. Our cash balances, new revolver, and accounts receivable securitization facility comprised approximately $1.5 billion of committed liquidity, providing ample funds to address any near-term obligations.

I would like to reiterate that we have a strong track record of free cash flow generation and deleveraging through the economic cycle. We plan to maintain our dividend, which is roughly $100 million a year, and use substantially all remaining free cash flow to repay our debt obligations and delever our balance sheet.

In fact, we've already paid our 2011 installments due under our new credit facilities, and we anticipate paying all of our 2012 installments by the end of 2011 using free cash flow generated in the fourth quarter. This suggests a preliminary 2012 interest expense range of $385 million to $395 million, which includes approximately $320 million of cash interest expense, $45 million of interest accruals on our Grace settlement liability, and approximately $25 million of amortized transaction fees and the original issued discount, or OID, on our debt.

In addition, we plan to opportunistically invest in our businesses to further enhance our free cash flow generation in the future. In summary, we remain well-positioned to fund the day-to-day operations of our new combined Company, return cash to our shareholders through our regular quarterly dividend and prepay our outstanding term loans.

We also stand ready to fund the pending WR Grace settlement upon Grace's emergence from bankruptcy, although the funding day remains uncertain. Now I will turn the call back to Bill and to your questions.

William Hickey - *Sealed Air Corp - President, CEO*

Before taking questions, I would just like to make a few comments about the Sealed Air share price. In my personal opinion, Sealed Air shares are undervalued and I attribute that to 3 reasons. One is, a number of investors are selling or have sold a substantial portion of their holdings of Sealed Air. Many of these investors may have been anticipating a liquidity event or a different capital allocation.

I want to assure you that I continue to hold all of my Sealed Air shares, and plan to hold them as long as I am active in the Management of the Company. Second is, information about Diversey is not well known among investors, as it was a privately-held Company, and due to the complexity of the transaction and the purchase accounting process, we have not been able to provide timely information to investors to help them understand the Diversey business, and we will try to do a better job at that.

Three, the rationale for the transaction was not as obvious to investors. An acquisition and packaging would have been more understandable. We chose not to consolidate the past, as represented by acquiring more mature packaging companies, but to invent the future by bringing new solutions and new value to the global food chain, as well as packaging and cleaning and sanitation.

Also, as I looked at several transactions announced in the packaging space in the last few months, and the purchase prices of those acquisitions in the high 8s and low 9 times EBITDA multiples, I'm comfortable with the price we paid for the Diversey acquisition, which has a higher incremental margin than almost any packaging Company I've seen in my 30 years.

I'm committing to our investors that we put all of our efforts and the incentive compensation for the Senior Management team into delivering on our commitments for Diversey. And in the near-term, to begin providing investors with more information about Diversey and the combined Company going forward. With those comments, Operator, I am now happy to take questions via the telephone or via the texts from our webcast participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) George Staphos, Bank of America.

George Staphos - *BofA Merrill Lynch - Analyst*

A couple questions on Diversey, and thanks for the details and the affirmation at the end as well. Selling barrier packaging for food, and selling cleaning solutions to food processors in a number of other end markets, these are very technical sales as we have learned about them. And my guess would be that in many cases, maybe in all cases, the sale is going to 2 different people within the organization. Given what you know about Diversey now, 3-plus months into it, 4 months, what gives you the most confidence on generating revenue synergies within the business? And then I had a follow-on.

William Hickey - *Sealed Air Corp - President, CEO*

Sure, yes, you probably asked the question a lot of people have been asking. We basically meet at the customers' factories. We are all in the customers factories, and the common science between the 2 of us is food science and microbiology. We have to understand what happens in the package, and Diversey's job is to prevent any contamination from getting into the package. Right now, those have been 2 discrete functions. Coincidently in most of our customers, they report to the same person. The person responsible for quality or production or for these facilities all have overall responsibility for both the packaging and the hygiene. So oftentimes, we are either calling on the same person, or calling on people who report to the same person, and interestingly enough, most of our customers look at both as an important part of the quality and the safety of their products.

And what we are in the process of reinventing is how that customer keeps their food clean and safe and sanitary from the time they process into the package. Because what we don't want have happen, and it's happened, George, on numerous occasions, is contamination gets into the package, goes through the food chain, causes significant amount of turmoil at the retail and the customer level, and often times, we are brought into the claim. We are invariably brought into the claim by the customer as being part of the problem, and oftentimes, it's not. Oftentimes it's what's happened before the product has gotten into the package. So the answer is, and we will talk more about it just in the interest of time, but there's a lot of opportunity to create a seamless food safety process, which could prevent a lot of the things that you read about in newspapers, from cantaloupes to ground turkey.

George Staphos - *BofA Merrill Lynch - Analyst*

I guess the other question would be around mile markers. You've announced some initial progress and wins like GE Water deal. If we are having this conference call, and I guess we will in 6 months from now, what are the goals you have for the business, either from a number of new products or new customers or volume growth that will, if you achieve them, make you even more confident that this was the right transaction for Sealed Air and for that matter, its shareholders.

William Hickey - *Sealed Air Corp - President, CEO*

George, just quickly, in 6 months I think what you will see, you'll probably see 2 new products that go out in early 2012. You will probably see some validation of a substantial portion of the synergy number. You will see some new sales on our target of the $75 million that we said we'd target near-term. Go out 12 months from now and you should see realization of $50-million-plus in synergies. You will see some number of revenue in the $50 million to $75 million range, and you'll see a number of probably, I will just target 5 new products that basically combine what we do to our customers at their factories. Those are the 2 mile markers I will give you, 6 and 12.

Operator

Ghansham Panjabi, Robert W. Baird.

Ghansham Panjabi - *Robert W. Baird & Company, Inc. - Analyst*

In your press release and commentary, you broke EBITDA guidance for 4Q between $335 million and $345 million. At the end of your press release, you noted that Diversey is $110 million to $120 million so that applies legacy Sealed Air EBITDA of $225 million if you use the midpoint. So if that math is right, this compares to EBITDA $196 million during the quarter. Shouldn't EPS be up a lot more sequentially for 4Q?

William Hickey - *Sealed Air Corp - President, CEO*

I will let Tod do that.

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

Let me give you an example, Ghansham. I'll use the lower end of the range, but you could apply it throughout the range. So let's say if we start doing your calculation with stand-alone EBITDA for Sealed Air of $216 million, that's on the legacy business, so from that I would subtract D&A and non-cash comp, but that in the $44 million, $45 million range. Interest expense in the same sort of range, that gets you to a pre-tax of about $128 million, and we use our 27% tax rate, and that gets you down to a net earnings of around $93 million, and that's in the $0.52 range for the quarter.

Ghansham Panjabi - *Robert W. Baird & Company, Inc. - Analyst*

A follow-up question on Diversey, the 3% volume decline, can you parse out the impact between Japan, Europe, and also how big is food and beverage for Europe versus lodging?

William Hickey - *Sealed Air Corp - President, CEO*

Ghansham, we don't have all the details on Diversey, we did not run the business for the third quarter. I can tell you that the lodging business is bigger than the food and beverage, but I don't have a number now. We can obviously get that as we go forward. And the Japan business, pretty good-sized business, about $300 million. So it's about 10% of the Diversey business. And it was all probably close to double-digit.

Operator

Philip Ng, Jefferies.

Philip Ng - *Jefferies & Company - Analyst*

Does sound like you are making pretty good traction on some of these new wins in North America, but that does sound like it's independent of Sealed Air. So wanted to get a sense of how quickly you will be able to leverage some of the relationships that you have and win new business from that point going forward.

William Hickey - *Sealed Air Corp - President, CEO*

I'm not sure I got the question, how quick are we leveraging the relationships?

Philip Ng - *Jefferies & Company - Analyst*

Yes, it seems like you're making pretty good traction in the US, the Diversey piece of some of your new product wins, but that's obviously independent of Sealed Air. So I want to get a sense of how quickly you will be able to leverage your existing relationships to win incremental business going forward.

William Hickey - *Sealed Air Corp - President, CEO*

We actually are. We actually, interestingly enough, Philip, we are actually getting faster traction in Europe than we are in the US. Diversey is much bigger in Europe, they are much better known, so the combination of Sealed Air and Diversey is more widely-recognized in Europe as a great combination. Diversey is still a relatively small business here in the US, but those introductions and relationships are proceeding. I met with 3 Diversey customers just last week and they are all excited about things we can do together.

Philip Ng - *Jefferies & Company - Analyst*

And you can remind us how seasonal this business is?

William Hickey - *Sealed Air Corp - President, CEO*

What, I'm sorry?

Philip Ng - *Jefferies & Company - Analyst*

Can you remind us how seasonal Diversey is?

William Hickey - *Sealed Air Corp - President, CEO*

It's pretty flat. It's like 24%, 26%, 23%. It's like 25%, plus or minus 2 or 3.

Philip Ng - *Jefferies & Company - Analyst*

So the guidance that you provided for Q4, proxied, that's probably a good rate for the full-year absent of demand and price cost, right? Is that fair?

William Hickey - *Sealed Air Corp - President, CEO*

Yes.

Operator

Chip Dillon, Vertical Research Partners.

Chip Dillon - *Credit Suisse - Analyst*

Thanks for the guidance that you have given us so far on the Diversey interest expense impact next year. I was hoping you could talk about 2 other numbers. It looks like, given their footprint, that your effective tax rate would probably go up, and could you give us some guidance as to where in the 30s that probably goes to? And then secondly, talk about what the ongoing CapEx would be. Based on your fourth quarter indication, it seems like we should assume something around $200 million for 2012 and beyond?

William Hickey - *Sealed Air Corp - President, CEO*

I'll let Tod do the first part and then we will figure out the second part.

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

As I think you know, we have not yet disclosed an ETR for the combined business. We are currently in the process of working through that, and we will be able to provide much more detail on that when we file the 8-K following the closing. We've used an indicative rate of 35%, but I would just caution you that there's a lot of detailed analysis that we need to do on a country basis to get to the appropriate rate going forward.

Chip Dillon - *Credit Suisse - Analyst*

And on the CapEx?

William Hickey - *Sealed Air Corp - President, CEO*

On the CapEx, we are looking at $180 million to $190 million. We will come in below $200 million. My personal view is $175 million to $190 million, but we're in the $180 million to $190 million range right now.

Chip Dillon - *Credit Suisse - Analyst*

As a quick follow-up, as you look at the free cash generation that you were expecting when you announced the deal earlier this year, has anything really changed in terms of how you view the timing of getting to your net-debt ratio targets that you laid out, especially given that there has been a little bit of softness in the economy globally in the last few months?

William Hickey - *Sealed Air Corp - President, CEO*

That's about all I can say is the economy, Chip. The interest rates are a little bit higher than we thought they would be back in June. And that's, we figure, in the 10s of millions per year. So that's an impact along the way. And then the economy. We get a good economy, we will probably be ahead of that schedule, and a slow economy, we will be pretty close or maybe a little bit behind, but not much.

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

The one thing that I would add, Chip, is when you look back in 2009 when we had a significantly slowing economy, we still generated great cash flow because of our working capital performance.

Operator

Rosemarie Morbelli, Gabelli & Co.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Bill, could you give us a little more detail on the new products you are expecting to go out the door at the beginning of 2012? And then if you go out to the (inaudible), you mentioned for the next 12-month period. Could you give us a feel as to your expectations in terms of size and profitability, how quickly can they be deployed into the marketplace?

William Hickey - *Sealed Air Corp - President, CEO*

Yes, let me tell you Rosemarie, the 2 we have announced are ready, the alliance with GE Water and VSS, which is piloting a couple hospitals, I would really not like to tip my hat as to what we are going to do here. We want to be first, and we want to be both ahead of the folks in the packaging side and on the chemical side, and I would just say, Rosemarie, just stay tuned.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And then if I may ask you a little more detail on the industries that are served by your Protective Packaging. Can you give us a feel for the trends? You said something which I was confused about, but that could be my problem. You said that you have seen slowing pace of the economic growth in the middle of the third quarter. And yet, you also said that your saw pick-up in September, which is just at the tail-end of the third quarter. So if you could help me understand what is actually going on, and what you see in the different markets you serve.

William Hickey - *Sealed Air Corp - President, CEO*

On the protective side, we did see late August, early September there was a slowing. One of the things I think I had mentioned to people is the order pattern of customers has been the most sporadic I've seen in many, many years. Customers who typically order every week or every 2 weeks will now not do it because they are managing their inventory and concerned about the future. So one month was good, the next month is a little slow. But what the pick-up in September was is one of the large retailers had a promotion on consumer bubble wrap, and that really drove a lot of business in protective at the end of September.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And could you touch on the other markets that you serve on the protective side?

William Hickey - *Sealed Air Corp - President, CEO*

Yes, the protective side, I think more in the commentary of the press release, we saw good business in e-commerce and fulfillment. As more and more people, I hate to go back to the 2000 tech boom, but e-commerce and fulfillments is gradually gaining share of the consumer dollars, and we've got some ties to some of the major companies. If you read the FedEx comments about what they have seen, we are beneficiaries of that. So the more you order online, the better it helps our business, Rosemarie, so thank you.

Operator

Mark Wilde of Deutsche Bank.

Mark Wilde - *Deutsche Bank - Analyst*

Bill, I actually want to follow on what Rosemarie was asking there. The volume in Protective Packaging was actually a little better than I might have expected. It seems like if we go back to 2008 and 2009, that was really where you saw your business drop-off. We've seen a lot of guys who are in industrial packaging report some weak numbers are recently. Can you talk about that a little bit?

William Hickey - *Sealed Air Corp - President, CEO*

No, Mark. We have been out there with several new products. Within the last 9 months, we've got a new paper product, we've got a new inflatable product, we've got a new biodegradable loose-fill product, we're continuing to crank out some of the new products. I think that is helped us, I don't want to use the word gain share, but keep volumes up, and we've seen some of the competitive environment be impacted by their own needs for either cash flow or raising funds, and we've used our strength in the marketplace.

Mark Wilde - *Deutsche Bank - Analyst*

If you were to look at, say, Europe in that segment of your business, Bill, and Europe seems to be the weak spot out there. What do volumes look like over in Europe in Protective Packaging?

William Hickey - *Sealed Air Corp - President, CEO*

I think Europe in protected packaging, if you exclude one of our product lines where we had some supply problems, we are up about 3% in Europe in Q3, and that is the core protective business, the bubble wrap, the Instapak, the foam, the mailer, that's up 3%. We did have a supply problem on one of our shrink film product lines, so that was actually down, but the protective business was basically up 3% in Europe.

Mark Wilde - *Deutsche Bank - Analyst*

And just stepping over briefly to the food business, one of your competitors was out this morning, they have reported pretty weak volumes in the third quarter. Your volumes actually look to be pretty decent in food. Any thoughts there?

William Hickey - *Sealed Air Corp - President, CEO*

We work hard to get sales everyday, Mark.

Operator

Alex Ovshey, Goldman Sachs.

Alex Ovshey - *Goldman Sachs - Analyst*

I realize that visibility is very limited right now into Europe, and that's really the biggest geographic region for Diversey, but can you share with us how you are thinking about the best case outlook for price mix and volume for Diversey next year?

William Hickey - *Sealed Air Corp - President, CEO*

Yes, that level of detail, I think you'll have to wait till we peel back the onion a bit further, but Europe's got to get resolved. I think we are all looking forward to some resolution in Europe, and I think once it is settled, I think Europe will probably have a very slow growth period for a year or 2, I would like to leave it at that for now.

Alex Ovshey - *Goldman Sachs - Analyst*

Could you comment on the trends you are seeing for specialty resins relative to the commodity resins that you are buying?

William Hickey - *Sealed Air Corp - President, CEO*

Yes, specialty resins are pretty flat. Commodity resins are continuing to come down in the month of October. But specialty resins, I know of 1 that has actually gone up, the rest have been pretty stable.

Alex Ovshey - *Goldman Sachs - Analyst*

Last question for Tod. If we were to think about the pro forma share count for next year, if we took the legacy number, added the 31.7 million shares issued, and then somehow found a way to account for the stock appreciation rights that are going to Diversey executives, is that the right way to think about the pro forma share counts for 2012?

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

The first part is. You should end up with about 210 million, which is the 160-plus that Sealed Air had before acquiring Diversey, adding the 31.7 million and then we include in our diluted share count the 18 million that we will eventually issue in connection with the Grace settlement. The stock appreciation rights are actually cash-settled. So it's referenced to the stock price but no new shares will be issued.

Alex Ovshey - *Goldman Sachs - Analyst*

And the cash outflows related to that? Is that over time essentially that cash outlay is made? How is that going to actually flow-through?

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

It's over time after they vest and as people exercise.

Operator

Gil Alexander, Darfil Associates.

Gil Alexander - *Darfil Associates - Analyst*

Could you remind me when you hope to get to your $4.5 billion debt level? And can you give any color to what is happening with the Grace settlement?

William Hickey - *Sealed Air Corp - President, CEO*

The first one may be easier than the second one. We are looking at getting it out in 2013. And the Grace settlement I hope is long before that. But the judge had the hearing on June 28 and we still have not had the judge's ruling as far as I know.

Gil Alexander - *Darfil Associates - Analyst*

Do they need any more information?

William Hickey - *Sealed Air Corp - President, CEO*

I don't know, but we would be happy to volunteer. I understand that Grace has actually said publicly it will not happen in 2011.

Operator

Rosemarie Morbelli, Gabelli & Co.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

Bill, regarding the gross margin, you are expecting sequential improvement as your price increases are gaining traction, and your raw materials costs are coming down. Do you think that in the fourth quarter you can reach the fourth quarter level of last year, which was, I'm not going to go into this kind of detail, but just as a point of reference, it was 27.7%?

William Hickey - *Sealed Air Corp - President, CEO*

We will have price going into the fourth quarter, we will have resins favorable in the fourth quarter, I look for being well over 27%. So it will be close, Rosemarie, I haven't gotten the numbers right here in front of me, but it ought to be pretty close.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And then by 2012, just looking at Sealed Air legacy, when we should be showing some year-over-year improvement on the gross margin side? Unless something changes obviously.

William Hickey - *Sealed Air Corp - President, CEO*

Yes. I am looking for hopefully some stability in the petrochemical market.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And still, on that kind of a question, on the SG&A site, is that 14.6% of revenues a sustainable level, or what was that because you really cut costs dramatically and some will have to come back?

William Hickey - *Sealed Air Corp - President, CEO*

If you look at where we said we wanted to be, we wanted to be 15% or less, and now you combine that with Diversey who runs around 32%, so we will look at a new number going forward. But clearly, we are going to try to manage this business on a low-cost model.

Rosemarie Morbelli - *Gabelli & Co. - Analyst*

And then lastly, if I may, as you have been introducing one another to some of your existing customers, have any new orders resulted from that or any new customers signed up?

William Hickey - *Sealed Air Corp - President, CEO*

There is 1 that we've just gotten, and it's about $4.5 million. The others are still on their way, and we will have more to report at the end of the fourth quarter. Rosemarie, if I could excuse you to take the calls over the Internet.

Did customers defer some purchases to the sharp decline in raws in September? Please directionally approximate the negative impact on sales for your various divisions in Q3 and the potential benefit to Q4. I am not aware of any meaningful decline or delay of customer orders in September. Actually, as I mentioned earlier, one of the large retailers had a promotion in September, so actually orders were a little bit better in September than we would have expected. So, no sign of deferred sales in the third quarter of significance. And so we expect the fourth quarter to track reasonably consistently.

Next question from the Internet is what were Diversey sales, EBITDA and operating income in Q4 2010? Tod, do you have that?

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

Yes, Bill. These sales were $803 million, the reported EBITDA was $76 million, and operating income was $43 million.

William Hickey - *Sealed Air Corp - President, CEO*

Next question is, does total debt of $5.2 billion include the Grace liability? Tod?

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

It does not. The Grace liability is currently about $820 million, but what we typically do is look at our net-debt balances, because we have retained more than the amount of cash that we need to operate the business on the balance sheet. So we finished out the third quarter with about $800 million, so that essentially offsets the amount of the Grace liability. So the net-debt ends up being the same $5.2 billion.

William Hickey - *Sealed Air Corp - President, CEO*

The next question is, on the Davis funds done with selling the Sealed Air shares? I really don't know the answer and really not prepared to comment on it.

Next question coming over the webcast is, is the Diversey transaction accretive to Sealed Air next year? Tod?

Tod Christie - *Sealed Air Corp - Treasurer, Interim CFO*

On a cash EPS basis, the answer is yes. I referred earlier to the indicative tax rate that we have been using of 35%, so on that basis, it is accretive. But again, I caution you that we are still developing our final expectation for the tax rate. I also just want to point out that we've learned from investors that there are various different definitions of cash EPS. So just to clarify, what we are now using as cash EPS is our adjusted EBITDA less cash interest and cash taxes, and less CapEx, and then divided by our diluted shares outstanding.

William Hickey - *Sealed Air Corp - President, CEO*

I think, Operator, that covers the end of our questions. So I want to thank everyone for your time and participation. I think we are at the beginning of an exciting era as a new leader in protection, which I believe will bring tremendous value to our customers, our employees and our shareholders. Looking ahead, we've got solid business fundamentals, good growth momentum, a great R&D platform, and a growing joint list of development concepts and tremendous untapped opportunities. We have ample liquidity, solid free cash flow, and are actively deleveraging to drive value creation.

I will remind everyone in 1989, we went through a similar deleveraging transaction and it was very clear in my mind at that time that every dollar of debt we repaid becomes a dollar that belongs to the shareholders. We will do that as quickly and as rapidly as we can in 2011 and 2012. So thank you very much for taking the time to listen to us today.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may disconnect at this time. Have a great day.
